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C O N F I D E N T I A L SECTION 01 OF 02 MANAMA 000245

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PASS TO EB/ESC/TFS FOR BADKINS, S/CT FOR VNICHOLS,
EUR/PGI FOR LREASOR, EUR/WE FOR NFETCHKO, NEA/ARPI,
IO/PSC FOR BFITZGERALD,
NSC FOR JZARATE,
TREASURY FOR DGLASER AND OFAC FOR RWERNER
ALSO FOR FEDERAL RESERVE

E.O. 12958: DECL: 02/15/2016

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SUBJECT: TREASURY UNDERSECRETARY STUART LEVEY VISITS
BAHRAIN TO DISCUSS AML/CFT EFFORTS

REF: MANAMA 1830

Classified By: Ambassador William T. Monroe, reasons 1.4 (b) and d).

1. (C) Summary. On January 23, 2006 Treasury Undersecretary Stuart Levey visited Bahrain and met with Rasheed Al-Maraj, Governor of the Bahrain Monetary Agency (BMA), Sheikh Ebrahim Al Khalifah, Undersecretary for the Ministry of Finance, Adel Qulish, Middle East and North African Financial Action Task Force (MENA FATF) Executive Secretary and Sheikh Khalid Al Khalifah Undersecretary for

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the Ministry of Justice. Governor Maraj indicated that the anti terrorism financing law was stalled in parliament, a point echoed by Sheikh Ebrahim, but that the BMA was upgrading the Compliance Unit to a directorate and the AML Policy Committee would soon be chaired by the Deputy Governor of the BMA. Levey stressed the importance of isolating proliferators of weapons of mass destruction (WMD) and thanked the Governor for closing the accounts of International Islamic Relief Organization (IIRO) in September 2005 (Reftel). Levey discussed USG assistance in exchanging information between the Bahrainis and Saudis on the investigation of IIRO.

2. (C) U/S Levey visited the Secretariat of the MENA FATF to show support for the organization's ongoing work. Sheikh Khalid explained that the GOB needed legislative cover to prosecute illegal in- and out-flows of cash. He noted that there are a few money laundering cases being tried but they have no verdicts yet and they are struggling to develop the precedent to show what level of proof is necessary to determine that money is illegally acquired. He also stressed the need for implementation of existing rules and said that the current cash collection regulations lack the teeth necessary to enforce them. End Summary.

3. (U) Undersecretary Levey was accompanied by Senior Advisor Adam Szubin, Policy Advisor Rachel Levenson, Financial Analyst Matt Epstein and Ahmed El-Bashari, FinCEN's Regional Middle East and North African Specialist. OFAC Middle East Regional Attache attended all meetings and served as note taker.

Meeting with the BMA Governor

4. (U) Levey, accompanied by Ambassador Monroe, met with Governor Al Maraj and discussed general AML/CFT issues in Bahrain and inquired about the delay in passing Bahrain's terrorism financing law. Governor Al Maraj noted that Bahrain is doing all it can to keep its financial sector clean and in line with international standards but that trying to get a law through the Parliament takes time. Al Maraj also explained that the GOB is making some structural changes including raising the Compliance Unit within the BMA from a unit to a directorate and bringing the National Anti Money Laundering Policy Committee under the BMA Deputy Governor (taking it away from Finance Ministry Undersecretary Sheikh Ebrahim). Al Maraj said this reorganization will give the BMA significantly more power to control AML issues.

5. (U) Levey stressed the importance of looking at entities designated as WMD proliferators (EO 13382) as "high risk" customers that could stain a bank or financial institution's reputation. He explained that, while Bahrain was obviously not subject to US law, international obligations exist under UNSCR 1540 to isolate WMD proliferators. Al Maraj agreed that the BMA could play a role in advising banks against doing business with customers they think could fall into that category. He noted that the GOB will likely follow the international consensus and said that an issue like this should be looked at via a regional system, like the MENA FATF.

IIRO information sharing

6. (C) Levey thanked Governor Al Maraj for acting to close

the account of IIRO, which is not registered as a charity in Bahrain but had opened an account illegally and was using the account to circumvent Saudi restrictions on sending money abroad. Levey noted that while IIRO is not a designated entity on a watch list, there have been concerns that it has been involved in supporting violence. Levey explained that he had just come from Saudi Arabia and in his meetings there, the government expressed interest in obtaining account and transactional information from Bahrain. Levey offered to help facilitate the exchange of information. Al Maraj committed to provide this information. Al Maraj also indicated that if the Saudis wanted information in the future, the Saudi Arabian Monetary Agency (SAMA) could work directly with the BMA. (Comment: In a subsequent meeting, an advisor to the BMA governor told OFAC Attache and Econoff that this information request should more appropriately go from the Saudi FIU to the Bahrain FIU in light of legal restrictions. He was optimistic that this request would be successful. Embassy Manama will work with Embassy Riyadh to relay this information to the Saudi FIU. End Comment).

Meeting with Ministry of Finance Undersecretary Sheikh Ebrahim

17. (U) Sheikh Ebrahim reiterated the importance of keeping the financial sector clean and explained that there was a backlog of bills under consideration in Parliament (currently 45 laws in the backlog) that was preventing the terrorism financing bill from being considered for passage. Sheikh Ebrahim noted that because of the influx of US dollars carried by US service members, he estimated there was approximately USD 10 million a day in cash that was coming from Iraq. He said that financial centers in Bahrain, Dubai and Amman were interested in accepting this cash but wanted to be sure they were not involved in money laundering. He was interested in finding the appropriate way for regional financial institutions to accept large amounts of US dollars coming out of Iraq.

Meeting with Undersecretary from the Ministry of Justice

18. (C) Sheikh Khalid expressed that the main problems with regard to terrorism financing in Bahrain are the ability of the GOB to control transfers of money outside Bahrain, cash coming into Bahrain, and the collection of money within Bahrain. Sheikh Khalid, clearly an advocate of taking appropriate enforcement action, felt he did not have the "legislative cover" to prosecute these kinds of transactions. He said that Bahrain needed technical support in helping control cash coming in and out of the country and was looking at the regulations and laws regarding collecting money and trying to identify models to follow.

19. (C) When asked about the status of existing money laundering cases and the strength of Bahraini law in this area, Sheikh Khalid said that, since there are no precedents for these cases, the court is trying to determine what is required to "prove" that money is illegally obtained. He said that Bahrain does have an asset forfeiture law and the Ministry of Social Development has responsibilities regarding collection boxes but they aren't implemented and there needs to be "teeth" in the cash collection regulations. Currently the Ministry of Social Development can only regulate the charities themselves, and any violations of the restrictions by individuals would be a criminal issue that would have to be handled by the Ministry of the Interior.

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